

Message Text

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14

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 ABF-01 FSE-00 /091 W

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R 080300Z DEC 76

FM AMEMBASSY SUVA

TO SECSTATE WASHDC 5614

INFO AMEMBASSY WELLINGTON

UNCLAS SUVA 1373

E.O. 11652: N/A

TAGS: EFIN TN

SUBJ: TONGA DEVALUES PA'ANGA

REF: SUVA 1057

1. TONGA DEVALUED ITS PA'ANGA (MAIN UNIT OF CURRENCY) BY TWENTY--THREE AND ONE HALF PERCENT, EFFECTIVE DEC. 1, IN RESPONSE TO AUSTRALIAN AND NEW ZEALAND DEVALUATIONS OF NOV. 28 AND 29. DEPRECIATION OF PA'ANGA IN RELATION TO OTHER CURRENCIES OF TONGA'S MAJOR TRADING PARTNERS AS FOLLOWS: AUSTRALIA, 6.8 PER CENT, NEW ZEALAND, 20.5 PER CENT, FIJI, 22.1 PER CENT, U.K., 27.4 PER CENT, U.S., 29.7 PER CENT. THIS IS SECOND TONGAN DEVALUATION IN THREE MONTHS (SEE REFTEL).

2. TONGA MINISTRY OF FINANCE LISTED FOUR MAIN CONSIDERATIONS FOR CURRENCY SHIFT, A) NEED TO STIMULATE AND GIVE INCENTIVE TO PRIMARY PRODUCERS, WHO WILL RECEIVE MORE FOR THEIR EXPORT PRODUCE, B) BENEFICIAL EFFECT ON TOURIST INDUSTRY THROUGH MORE ATTRACTIVE EXCHANGE RATE, C) ENCOURAGEMENT FOR TONGANS RESIDENT OVERSEAS TO REMIT SAVINGS, THEREBY HELPING TO RESTORE DEPLETED FOREIGN EXCHANGE HOLDINGS, AND D) ENCOURAGEMENT FOR OVERSEAS INTERESTS TO INVEST IN TONGA. DEVALUATION IS EXPECTED TO BOOST EARNING FOR BANANA AND COPRA PRODUCERS, WHICH WILL HELP GOVERNMENT LOWER ITS CURRENT BANANA SUBSIDY OF SEVENTY SENITI PER CASE WHICH THE PRODUCE BOARD HAS BEEN PAYING FOR A

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YEAR. REMITTANCES, MAINLY FROM NEW ZEALAND AND THE U.S. ARE

ALSO EXPECTED TO IMPROVE. REMITTANCES FELL FROM 4.9 MILLION
PA ANGA IN 1974/75 TO 3.67 MILLION PA'ANGA IN 1975/76.

3. ACCORDING TO TONGA CHRONICLE NEWS STORY, NEW EXCHANGE RATES
FOR ONE PA'ANGA ARE NZDOL 00.881 AND FOR USDOL 00.972.
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Message Attributes

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